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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP,
Chairman
GARY PIERCE

BRENDA BURNS

BOB BURNS

SUSAN BITTER SMITH

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2014 JUN 18 A 10:13
AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED
JUN 18 2014

ORIGINAL

DOCKETED BY

IN THE MATTER OF THE APPLICATION)
OF ARIZONA-AMERICAN WATER)
COMPANY, AN ARIZONA)
CORPORATION, FOR A)
DETERMINATION OF THE CURRENT)
FAIR VALUE OF ITS UTILITY PLANT)
AND PROPERTY AND FOR INCREASES)
IN ITS RATES AND CHARGES BASED)
THEREON FOR UTILITY SERVICE BY ITS)
AGUA FRIA WATER DISTRICT, HAVASU)
WATER DISTRICT, AND MOHAVE)
WATER DISTRICT.

DOCKET NO. W-01303A-10-0448

**NOTICE OF REVISED FILING
WHITE TANKS HOOK-UP FEE
SURCREDIT & NON-FIRM
TREATMENT SERVICES
CREDIT**

EPCOR Water Arizona Inc. ("EWAZ") hereby files a revised annual filing, as per the Settlement Agreement (Decision No. 73145) to commence the White Tanks Hook-Up Fee Surcredit for Agua Fria Water District customers effective July 1, 2014.

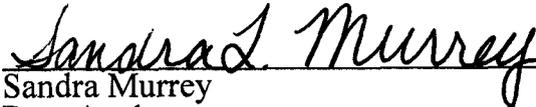
As the attachments indicate, the amount of White Tanks Hook-up fees collected during the twelve-month period June 1, 2013 thru May 31, 2014 was \$4,011,134. This revision includes the impact of cumulative collections of White Tanks Hook-Up Fees in the revenue requirement equivalent reduction. As per Attachment B (the Settlement Agreement Addenda) of Decision No. 73145, the monthly surcredit for Residential 5/8" and 3/4" meter customers is **(\$0.46) plus (\$.0626) per 1,000 gallons consumed**. The surcredit is automatically effective July 1, 2014, and will appear as separate line items on customer bills.

There have not been any non-firm treatment services.

As per Decision No. 73145, EWAZ will make its next annual filing shortly prior to July 1, 2015, which will include the required true-up of the surcredit.

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RESPECTFULLY SUBMITTED this 18th day of June, 2014.


Sandra Murrey
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ORIGINAL and fifteen (15) copies
of the foregoing filed
this 18th day of June, 2014, with:

The Arizona Corporation Commission
Utilities Division – Docket Control
1200 W. Washington Street
Phoenix, Arizona 85007

Copy of the foregoing hand-delivered
this 18th day of June, 2014, to:

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Arizona Corporation Commission
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Phoenix, Arizona 85007

Dwight D. Nodes, Administrative Law Judge
Arizona Corporation Commission
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Phoenix, Arizona 85007

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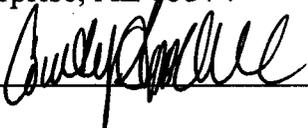
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**EPCOR Water Arizona, Inc.
White Tanks Hook-Up Fee Surcredit Calculation
Effective July 1, 2014**

Line No.	Meter Size	Number of Customers @ May 31, 2014	Meter Multiples	Equivalent Meters	Monthly Basic Service Surcredit
1	Agua Fria Residential 5/8" & 3/4"	34,133	1.0	34,133	\$ (0.46)
2	Agua Fria Residential 1"	5,742	2.5	14,355	\$ (1.15)
3	Agua Fria Residential 1-1/2"	138	5.0	690	\$ (2.30)
4	Agua Fria Residential 2"	155	8.0	1,240	\$ (3.68)
5	Agua Fria Commercial 5/8" & 3/4"	107	1.0	107	\$ (0.46)
6	Agua Fria Commercial 1"	203	2.5	508	\$ (1.15)
7	Agua Fria Commercial 1-1/2"	282	5.0	1,410	\$ (2.30)
8	Agua Fria Commercial 2"	464	8.0	3,712	\$ (3.68)
9	Agua Fria Commercial 3"	56	16.0	896	\$ (7.36)
10	Agua Fria Commercial 6"	5	50.0	250	\$ (23.00)
11	Agua Fria Commercial 8"	-	80.0	-	\$ (36.80)
12	Agua Fria Irrigation	2	8.0	16	\$ (3.68)
13	Agua Fria OPA - State Prison	1	16	16	\$ (7.36)
14	Total	41,288		57,333	

CALCULATION OF CUSTOMER CREDIT BASED ON WHITE TANKS HOOK-UP FEES COLLECTED FROM JUNE 1, 2013 THROUGH MAY 31, 2014:

	Basic Service Surcredit (45%)	Commodity Surcredit (55%)
Calculation of Surcredit		
Current Period - Total Annual White Tanks Hook-Up Fee Surcredit to Customers	\$ (687,578) (see pg 2 & 3)	
True-Up: Prior Period Customer Surcredits	\$ (11,978) (see pg 4)	
Total to be Refunded in Current Period	\$ (699,556)	
Basic Service Revenue - 45% of Surcredit	\$ (314,800)	\$ (384,756)
Commodity Revenue - 55% of Surcredit		
Monthly Surcredit Per Equivalent Meter	687,990	
Annual Equivalent Meters	\$ (0.46)	
Basic Service Surcredit for 5/8" & 3/4" Meter		
<i>** See above table for basic service surcredit for other meter sizes</i>		
Total Consumption, kgal (year ending 5/31/2014)		6,147,277
Commodity Surcredit per kgal		\$ (0.0626)

**White Tanks Hook-Up Fee Surcredit Calculation
Effective July 1, 2014**

PRE-TAX RATE OF RETURN CALCULATION:

Line No.	Description	Percent	Cost Rate	Weighted Cost	Pre-Tax ROR	NOI After Tax Deduction For Interest	After-Tax WACC
1	Long-Term Debt	47.38%	5.66%	2.68%	2.680%	61.40%	1.64552%
2	Short-Term Debt	11.35%	0.41%	0.05%	0.050%	61.40%	0.03070%
3	Stockholder's Equity	41.27%	10.60%	4.37%	4.370%	100.00%	4.37000%
4	Total			<u>7.10%</u>	<u>7.100%</u>		<u>6.04622%</u>
5						GRCF	1.6609
6	Weighted Cost of Debt			<u>2.73%</u>		Pre-Tax ROR	<u>10.042%</u>

Notes and Source:

Lines 1 thru 6 - Letter of Intent filed on December 8, 2011
Combined Income Tax Rate:

Combined Tax Rate 38.60%
61.40%

CALCULATION OF CUSTOMER CREDIT BASED ON WHITE TANKS HOOK-UP FEES COLLECTED JUNE 1, 2013 THROUGH MAY 31, 2014:

Line No.	Description	
1	Total Unamortized White Tanks Hook-Up Fees ⁽¹⁾	\$ (5,333,356)
2	Times: Pre-Tax ROR	<u>10.042%</u>
3	Pre-Tax ROR Portion of Credit	\$ (535,584)
4	Total Cumulative Annual White Tanks Hook-Up Fees	\$ (5,527,037)
5	Times: Composite Rate of Amortization	<u>2.750%</u>
6	Annual Amortization of Hook-Up Fee Portion of Credit	<u>\$ (151,994)</u>
7	Total Annual White Tanks Hook-Up Fee Credit	<u><u>\$ (687,578)</u></u> (to pg 1)

Note: (1) Prior year calculation was based on the period of July 1, 2012 through May 31, 2013 actuals with an estimate for June 2013. This June Estimate is creating multiple true-ups that build upon each other. To avoid these true-ups, the Company will calculate this surcredit on a 12 month actual period from June 1 through May 31 going forward. Please see page 4 for a revision to exclude June 2013 from the prior period calculation and include in this period.

June 2013 - Actuals	\$ 105,030
July 1, 2013 through Dec 31, 2013 - Actuals	\$ 1,178,045
Jan 1, 2014 through May 31, 2014 - Actuals	\$ 2,728,059
	<u>\$ 4,011,134</u>

CONVERTING WHITE TANKS HOOK-UP FEES INTO A REVENUE REQUIREMENT EQUIVALENT REDUCTION

Revised June 17, 2014

Amortization of White Tanks Hook-Up Fees	For the twelve months ending May 31		2016	2017	2018	Total Cumulative WH HUF	Cumulative Yearly CIAC Amortization	Cumulative Unamort CIAC YE Balance
	2013	2014						
White Tank Hook-Up Fee Component B actual payments:	1,515,903	4,011,134	-	-	-	5,527,037		
CIAC Amort Rate	(see pg 5)							
	Amortization	(41,687)					(41,687)	1,474,216
	Unamortized CIAC YE Balance	1,474,216						
	Amortization	(41,687)	(110,306)				(151,994)	5,333,356
	Unamortized CIAC YE Balance	1,432,528	3,900,828					
	Amortization	-	-				-	5,333,356
	Unamortized CIAC YE Balance	1,432,528	3,900,828					
	Amortization	-	-				-	5,333,356
	Unamortized CIAC YE Balance	1,432,528	3,900,828					
	Amortization	-	-				-	5,333,356
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	Unamortized CIAC YE Balance	1,432,528	3,900,828					
	Amortization	-	-				-	5,333,356
	Unamortized CIAC YE Balance	1,432,528	3,900,828					

Revenue Requirement Equivalent Reduction of Prior Year WT HUF Collections

Illustrative only as actual revenue credits depend on actual WT HUF payments

	2013	2014	2015	2016	2017	2018
10.0422% Pre-Tax ROR						
2.75% CIAC Amort Rate						
12.7922% Total						
Annualized revenue credits BEGINNING September 1 (or as adjusted according to final decision effective date):						
Based on cumulative Unamortized CIAC balance	\$ 1,474,216	\$ 193,917	\$ 687,578	\$ 687,578	\$ 687,578	\$ 687,578
	\$ 5,333,356					
	\$ 5,333,356					
	\$ 5,333,356					
	\$ 5,333,356					

EPCOR Water Arizona, Inc.
White Tanks Hook-Up Fee Surcredit Calculation
Effective July 1, 2014

Revised June 17, 2014

CALCULATION OF TRUE-UP FOR PRIOR PERIOD CUSTOMER SURCREDITS:

Line No.		
1	Recalculation of customer surcredit based on 11 month actual to match the payout period	
2	All future calculations will be based on 12 month actual period of June 1 to May 31.	
3		
4		
5	Revised Calculated Amount of Surcredit Due Customers	
6	<i>(Based on 11 months of actuals July 1, 2102 through May 31, 2013)</i>	\$(193,917) (see pg 5)
7		
8		
9	Actual Amount of Surcredit Provided to Customers	\$(181,939)
10	<i>(Based on 11 month of actuals July 1, 2012 through May 31, 2013)</i>	
11		
12		
13	Additional Surcredit Due to Customers	<u>\$ (11,978) (to pg 1)</u>
14		
15		
16		
17		
18		

**EPCOR Water Arizona, Inc.
White Tanks Hook-Up Fee Surcredit Calculation
Effective July 1, 2013**

REVISED PRIOR PERIOD CUSTOMER CREDIT BASED ON 11 MONTH ACTUAL TO MATCH THE PAYOUT PERIOD

PRE-TAX RATE OF RETURN CALCULATION:

Line No.	Description	Percent	Cost Rate	Weighted Cost	Pre-Tax ROR	NOI After Tax Deduction For Interest	After-Tax WACC
1	Long-Term Debt	47.38%	5.66%	2.68%	2.680%	61.40%	1.64552%
2	Short-Term Debt	11.35%	0.41%	0.05%	0.050%	61.40%	0.03070%
3	Stockholder's Equity	41.27%	10.60%	4.37%	4.370%	100.00%	4.37000%
4	Total			7.10%	7.100%		6.04622%
5						GRCF	1.6609
6	Weighted Cost of Debt			2.73%		Pre-Tax ROR	10.042%

Notes and Source:

Lines 1 thru 6 - Letter of Intent filed on December 8, 2011
Combined Income Tax Rate:

Combined Tax Rate
38.60%
61.40%

CALCULATION OF PRIOR PERIOD CUSTOMER SURCREDIT BASED ON WHITE TANKS HOOK-UP FEES COLLECTED:

Line No.	Description	
1	Total Annual White Tanks Hook-Up Fees ⁽¹⁾	\$ (1,515,903)
2	Times: Pre-Tax ROR	10.042%
3	Pre-Tax ROR Portion of Credit	\$(152,230)
4	Total Annual White Tanks Hook-Up Fees	\$ (1,515,903)
5	Times: Composite Rate of Amortization	2.750%
6	Annual Amortization of Hook-Up Fee Portion of Credit	\$ (41,687)
7	Total Annual White Tanks Hook-Up Fee Credit	REVISED \$ (193,917) (to pg 3)

Note: (1) Amount consists of actual hook up fees collected during the period of July 1, 2012, through May 31, 2013.

RECALC SURCREDIT BASED ON 11 MONTHS OF ACTUAL, July through May

July 2012 through Dec 2012 - Actuals	\$ 789,171
Jan 2013 through May 2013 - Actuals	\$ 726,732
June 2013 - Estimate	\$ -
Total	\$ 1,515,903

REMOVED THE JUNE 2013 ESTIMATE FROM PRIOR YEAR CALCULATION.
JUNE 2013 TO BE INCLUDED IN THIS PERIOD'S CALCULATION (SEE PG 2)

CALCULATION GOING FORWARD WILL BE BASED ON 12 MONTH ACTUALS JUNE THROUGH MAY.